

**OPENING SPEECH OF
MR. HOO-KYU RHU
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FOR
SEMINARS FOR DIRECTORS OF RESEARCH AND TRAINING
*Bali, Indonesia, 13 August 2014***

Deputy Governor Mr. Ronald Waas,
Bank Indonesia,

Distinguished Resource Speakers;
Mr. Roshan Thiran, Founder and CEO of Leaderonomics.

Mr. Joseph Tan; Chief Executive Officer of Leaderonomics Centre for Engagement Excellence

Ms. Gill Hammond, Director for Central Banking Studies of Bank of England.

SEACEN Directors of Research and Training,

Seminar Delegates,

SEACEN Colleagues,

Good morning!

On behalf of The SEACEN Centre, I would like to extend a warm welcome to all of you to the 36th Meeting of SEACEN Directors of Research and Training with the theme “Transforming Towards Strategic Talent Capacity in Central Banks”.

First of all, let me extend my deepest appreciation to Governor Agus D.W. Martowardojo for his great support in hosting the Meeting of Director Of Research and Training in this beautiful city. I would also like to express my gratitude to Deputy Governor Mr. Ronald Waas in extending his great support to this event in delivering the keynote address. We are indeed privileged to have a

number of reputable thought leaders from central banks, international financial institutions and regional learning and research institutions serving as the faculty members for this Seminar.

Ladies and Gentlemen,

The Research Seminar this year is entitled Monetary Policy Strategies in the aftermath of the Global Financial Crisis. The GFC happened in 2008 but its lingering effect can still be felt in many advanced countries and emerging markets alike. While many SEACEN economies remain resilient, some SEACEN economies have been adversely affected by the prolonged weakness of the global economy transmitted through the trade channel coupled with higher inflation expectations and the negative perception on the current account sustainability. This has led to increased stress of the external sector, reflecting rising external indebtedness and increased burden of servicing of external liabilities. Central Banks must therefore do what they can, including implementing the right monetary policy strategies to create an environment of resilience and stability.

Ladies and Gentlemen,

There are at least two important lessons learned following the crisis. Firstly, price stability does not equate financial stability and it is fitting that central banks are increasingly given the dual mandate of price and financial stability. Secondly, the way monetary policy is communicated is at least as important as the monetary policy implementation itself.

We all know by now that while pursuing price and financial stability, a consistent set of policies may result in conflicting outcomes for the two different mandates. For example, price stability achieved by central banks for a prolonged period can generate optimism but this together with low interest rate policy can also lead to asset price bubbles. Former Fed Chairman, Alan Greenspan, once regarded as the bastion of stable growth and low inflation rate is now criticized for neglecting some signals of the subprime mortgage crisis. Also, the mere fact of wanting to do good for financial stability during the financial crisis can lead to increased market participants' confidence in the financial markets. For example, when central banks bail out ailing financial institutions during crises, the very act of supplying abundant liquidity and reducing interest rates is likely to firstly, worsen moral hazard of market participants and increase the

odds of financial crises and secondly, create inflation expectations and inflationary pressure in the future.

What I like to emphasize is that there is now the increased recognition that monetary policy has to play an important and active role in financial stability. The question is how do we, given the multiple mandates in the game changing environment, circumvent the boom-bust business and credit cycles and secure financial and macroeconomic stability simultaneously?

Ladies and Gentlemen,

Secondly, the issues of communication and transparency of monetary policy are front and centre on any monetary policy agenda. Many central banks are now starting to implement what is known as forward guidance policy to signal their current and future policy stance. There are many ways to do this and one particular useful way is to try to make the connection between forward guidance to the state of the economy. In this regards, we have to ask ourselves to what extent it matters and what are the benefits and costs of forward guidance policy?

Ladies and Gentlemen,

Looking from another angle, just like other high-performing organizations, central banks are also facing challenges in Talent Management, Talent Retention, Talent Development and Succession Planning. The competition for key talent becomes more intense, and numerous scholars predict that talent shortages are going to increase well into the next decade, which will limit the ability of organizations to perform optimally and could even jeopardize their chances of survival, as global competition becomes more intense.

Dear participants,

After the GFC, central bankers including SEACEN members are facing many new tasks and challenges. Central bankers need to create more innovative solutions to successfully address these newly evolving policy issues. In order to do this central banks need to have more impactful leaders in diverse areas of evolving central bank business. Therefore, new interventions focused on leadership building must work in resolving many new talent

management issues in the organization. In short, it is very clear: At the end of the day, what should we do to train, develop and retain new talent which requires creative thinking and forward-looking insights on evolving central bank business. The two learning workshops will touch on these very important issues.

Dear participants,

In this regards, I am very grateful to the Bank Indonesia and Governor Agus D.W. Martowardojo for hosting the 36th Meeting of SEACEN Directors of Research and Training and the back-to back seminars with the theme “**Transforming Towards Strategic Talent Capacity in Central Banks**”

I would also like to thank Dr. Ronald Waas, Deputy Governor, Bank Indonesia for delivering the Keynote Address.

We are also very fortunate to have a panel of distinguished speakers to lead the discussion in the learning workshops and research seminar. They are by order of appearance:

For the two learning workshops,

1. Mr. Roshan Thiran, Founder and CEO of Leaderonomics.
2. Mr. Joseph Tan; Chief Executive Officer of Leaderonomics Centre for Engagement Excellence

For the research seminar,

1. Ms. Gill Hammond, Director Centre for Central Banking Studies, Bank of England,
2. Dr. Feng Zhu ,Senior Economist, Banks for International Settlements

And from the perspective of the private sector,

3. Dr. Johanna Chua Managing Director & Head of Asia Pacific Economic and Market Analysis, Citigroup, Hong Kong

I would also like to thank my SEACEN colleagues for sharing their expertise in the SEACEN DORT Seminar. They are:

4. Dr. Dongkoo Chang, Director of Research and Learning Contents,
5. Mr. Michael Zamorski, Adviser for Financial and Stability and Supervision
6. Dr. Hans Genberg, Adviser for Monetary and Macroeconomic Policy Management

Finally, allow me to conclude by wishing everyone here a productive and rewarding Seminar. If you require any assistance during your stay here, please do not hesitate to contact anyone of our secretariat members. To all delegates, I also hope that you will be able to find the time to enjoy the city of Bali.

Thank you.